

**LONGWOOD UNIVERSITY**

**INTERCOLLEGIATE ATHLETICS PROGRAMS  
FOR THE YEAR ENDED  
JUNE 30, 2012**



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Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

January 3, 2012

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable John M. O'Bannon III  
Chairman, Joint Legislative Audit  
And Review Commission

Marjorie M. Connelly  
Interim President, Longwood University

## INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the Interim President of **Longwood University**, solely to assist the University in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the University is in compliance with National Collegiate Athletic Association (NCAA) Constitution 3.2.4.16, for the year ended June 30, 2012. University management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs and the Schedule's compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

The procedures that we performed and our findings are as follows:

#### Internal Controls

1. We reviewed documentation of accounting systems and operating procedures. We reviewed the relationship of internal control over Intercollegiate Athletics Programs to internal control reviewed in connection with our audits of the University's financial statements. In addition, we identified and reviewed those controls unique to Intercollegiate Athletics Programs, which were not reviewed in connection with our audits of the University's financial statements.
2. Intercollegiate Athletics Department management provided an organizational chart which we reviewed with appropriate personnel. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, and protection of records and equipment.

3. Intercollegiate Athletics Department management provided us with their procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the Intercollegiate Athletics Programs.

#### Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified all intercollegiate athletics-related affiliated and outside organizations and provided to us copies of audited financial statements for each such organization for the reporting period.
5. Intercollegiate Athletics Department management prepared and provided to us a summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations included in the Schedule.
6. Intercollegiate Athletics Department management provided to us any additional reports regarding internal control matters identified during the audits of affiliated and outside organizations performed by independent public accountants. We were not made aware of any internal control findings.

#### Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. Intercollegiate Athletics Department management provided to us the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2012, as prepared by the University and shown in this report. We recalculated the addition of the amounts in the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts in management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Intercollegiate Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate.
8. We applied certain analytical review techniques to the revenue and expense amounts reported in the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and review of actual amounts in comparison to budget estimates. We obtained and documented an understanding of significant variations.

#### Revenues

9. Intercollegiate Athletics Department management provided us with a reconciliation of tickets sold during the reporting period along with complimentary tickets and unsold tickets to the revenue recorded in the Schedule and related attendance figures. This amount was deemed to be immaterial for detailed testing.
10. We compared student fees reported in the Schedule to amounts reported in the accounting records and amount from the university's comprehensive fee allocated to intercollegiate athletics. We found these amounts to be materially in agreement.
11. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away games during the reporting period. We

reviewed these settlement reports and guarantee agreements for selected games and agreed selected amounts to proper posting in the accounting records and supporting documentation.

12. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by the Intercollegiate Athletics Programs from any affiliated or outside organization, agency or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. Except for contributions received from the Longwood University Foundation, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs.
13. From the summary of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations, we selected individual contribution amounts and agreed each selection to supporting documentation and proper posting in the accounting records. We found all reviewed transactions to be in agreement.
14. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from tournaments, conference distributions, and NCAA distributions. This amount was deemed to be immaterial for detailed testing.
15. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, advertisements, and sponsorships. This amount was deemed to be immaterial for detailed testing.
16. We obtained an understanding of the University's methodology for recording revenues from sport camps and inspected any sports camp contracts between the University and persons conducting sport camps or clinics during the reporting period. We gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.

#### Expenses

17. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. We selected individual student-athletes across all sports and agreed amounts from the listing to their award letter. We also ensured that the total aid amount for each sport materially agreed to amounts reported as Financial Aid in the student accounting system.
18. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for home games during the reporting period. This amount was deemed to be immaterial for detailed testing.
19. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the University during the reporting period. We selected and tested individuals and compared amounts paid for one pay period or a bonus payment from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled

amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.

20. We discussed the Intercollegiate Athletics Department's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies. We compared these policies to existing University and NCAA policies and noted substantial agreement of those policies.
21. We obtained an understanding of the University's methodology for allocating indirect facilities support and ensured that amounts reported on the Schedule agreed to amounts recorded in the accounting records.
22. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the Intercollegiate Athletics Programs. These disbursements were for the various activities listed within the Schedule. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.

We were not engaged to, and did not; conduct an examination, the objective of which would be the expression of an opinion on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we conducted an audit of any financial statements of the Intercollegiate Athletics Department of Longwood University in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of Longwood University or its Intercollegiate Athletics Department taken as a whole.

This report is intended solely for the information and use of the Interim President and the University and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

JS/clj

## SCHEDULE

LONGWOOD UNIVERSITY  
SCHEDULE OF REVENUES AND EXPENSES OF  
INTERCOLLEGIATE ATHLETICS PROGRAMS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Totals
Operating revenue:					
Ticket sales	\$ 11,374	\$ 4,672	\$ -	\$ -	\$ 16,046
Student fees	897,092	821,907	2,988,415	2,236,341	6,943,755
Guarantees	374,000	97,000	2,000	-	473,000
Contributions	1,175	3,925	75,328	57,466	137,894
Indirect facilities and administrative support	-	-	-	32,269	32,269
NCAA distributions	-	-	-	175,653	175,653
Royalties, advertisements, and sponsorships	-	-	-	147,957	147,957
Sports camps	-	-	182,683	-	182,683
Other operating revenues	-	-	40,965	20,230	61,195
Total operating revenue	1,283,641	927,504	3,289,391	2,669,916	8,170,452
Operating expenses:					
Athletic student aid	343,950	378,099	1,576,176	-	2,298,225
Guarantees	12,000	4,000	10,000	-	26,000
Coaching salaries, benefits, and bonuses paid by the University and related entities	385,180	276,730	1,053,756	-	1,715,666
Support staff/administrative salaries, benefits and bonuses paid by the University and related parties	-	-	-	1,439,013	1,439,013
Recruiting	42,047	39,267	22,658	-	103,972
Team travel	141,230	128,116	351,020	-	620,366
Equipment, uniforms, and supplies	22,712	23,624	128,486	308	175,130
Game expenses	19,888	15,155	76,031	1,448	112,522
Fund raising, marketing and promotion	-	-	2,751	35,394	38,145
Sports camp expenses	-	-	148,626	850	149,476
Direct facilities, maintenance, and rental	-	-	-	116,090	116,090
Indirect facilities and administrative support	-	-	-	32,269	32,269
Medical expenses and insurance	384	754	121	124,725	125,984
Membership dues	-	2,296	2,460	12,344	17,100
Other operating expenses	45,049	27,562	134,272	767,600	974,483
Total operating expenses	1,012,440	895,603	3,506,357	2,530,041	7,944,441
Excess/(deficiency) of revenues over/(under) expenses before transfers	\$ 271,201	\$ 31,901	\$ (216,966)	\$ 139,875	\$ 226,011

\*Other sports include baseball, cross country, field hockey, golf, lacrosse, soccer, softball, and tennis

The Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs are an integral part of this schedule.



LONGWOOD UNIVERSITY  
NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES  
INTERCOLLEGIATE ATHLETICS PROGRAMS  
AS OF JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis Of Presentation

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenses of the Intercollegiate Athletics Programs of the University for the year ended June 30, 2012, and includes both those intercollegiate athletics revenues and expenses under the direct accounting control of the University and those on behalf of the University's Intercollegiate Athletics Programs by outside organizations not under the University's control. Because the Schedule presents only a selected portion of the University's activities, it is not intended to, and does not present the financial position, changes in financial position, or cash flows for the year ended June 30, 2012. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

B. Capital Assets

Capital assets consisting of land, buildings, equipment, infrastructure, and intangible assets are stated at cost or fair market value at date of donation. Construction in progress, equipment and intangibles in process are capitalized at actual cost as expenses are incurred. Equipment costing \$5,000 or more with a useful life greater than one year is capitalized. Software related intangibles costing \$25,000 or more and other intangibles costing \$100,000 or more are capitalized. Renovation costs are capitalized when expenses total greater than \$100,000. Normal repairs and maintenance are expensed in the year in which the expense was incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. The general range of estimated useful lives is five to 50 years for buildings and fixtures and three to 20 years for equipment. The general range of estimated useful lives for infrastructure is five to 30 years. The estimated useful life of software is five years, all other intangibles vary based on type and expected useful life. The net book values for fixed assets in the Athletic department at June 30, 2012 are as follows:

Buildings	\$ 1,485,951
Construction in Progress	2,666,671
Equipment	83,333
Infrastructure	7,407,797
Land	<u>1,042,794</u>
Total	<u>\$ 12,686,546</u>

2. AFFILIATED ORGANIZATION

The University received \$137,894 from the Longwood University Foundation, Inc. to be used for the Intercollegiate Athletics Programs. These contributions are included in the accompanying schedule.

### 3. LONG-TERM INDEBTEDNESS

Long-term debt relating to intercollegiate athletics is shown below.

	<u>Interest Rates</u>	<u>Maturity</u>	<u>Amount</u>
Lacrosse/Field Hockey Series 2004A	3.00-5.00 percent	2024	\$ 2,270,000
Soccer Fields Series 2005A	3.75-5.00 percent	2025	1,290,000
Lancer Gym/Willet Hall Series 2005A	3.50-5.00 percent	2025	1,225,000
Baseball/Softball Series 2006A	3.00-5.00 percent	2027	995,000
Lacrosse/Field Hockey Series 2007A	3.00-5.00 percent	2028	1,060,000
Baseball/Softball Series 2007A	3.00-5.00 percent	2028	1,090,000
Athletic Offices	3.00-5.00 percent	2018	<u>1,800,000</u>
Total			<u>\$ 9,730,000</u>

Long-term debt matures as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 630,000	\$ 423,515
2014	660,000	405,381
2015	685,000	374,938
2016	710,000	343,156
2017	740,000	309,569
2018 - 2022	3,350,000	1,033,644
2023 - 2027	2,765,000	291,178
2028 - 2032	<u>190,000</u>	<u>4,275</u>
Total	<u>\$ 9,730,000</u>	<u>\$ 3,185,656</u>

The Intercollegiate Athletics Programs transferred funds to the general University accounts to pay principal and interest payments on the long-term debt for the year ended June 30, 2012 as follows:

Lacrosse/Field Hockey Complex	\$ 333,600
Soccer Fields	131,344
Baseball/Softball Field	190,375
Willet Hall Renovation	122,250
Athletic Offices	<u>293,288</u>
Total	<u>\$ 1,070,857</u>

4. ADMINISTRATIVE COST RECOVERY

In fiscal year 2012, the administrative cost recovery for Intercollegiate Athletics Programs, based on the State Council of Higher Education for Virginia approved recovery rate of 15.98 percent, was \$619,573. Of this total, \$396,299 is included in the coaches' salaries, as well as support staff and administrative salaries and \$223,274 is included in other operating expenses on the accompanying schedule.

LONGWOOD UNIVERSITY  
Farmville, Virginia

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UNIVERSITY OFFICIALS

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